

SACRAMENTO GROUNDWATER AUTHORITY POLICIES AND PROCEDURES MANUAL

Policy Type : Fiscal Management
Policy Title : Budget Policy
Policy Number : 400.3
Date Adopted : February 13, 2014
Date Amended : April 11, 2024

BUDGET POLICY

The purpose of the budget process is to help the Board and Executive Director make informed choices about the provision of services and capital assets. It is important for the budget process to link organizational goals and objectives, focus on results and outcomes, and incorporate a long-term perspective. The Board, along with the Executive Director, will determine a proposed plan of action for SGA program objectives and deliverables. These objectives and deliverables are based upon the needs of the SGA members. This plan then drives the proposed expenses for the fiscal year.

The Budget

The annual operating budget is a summary of proposed expenditures for a particular fiscal year, including allocated costs incurred from the Regional Water Authority (“RWA”)^a under the Administrative and Management Services Agreement. The budget format summarizes expenditures by major category type, such as allocated administrative staffing costs, direct and allocated office costs, direct and allocated external professional fees, other direct or allocated costs^b, and special project or program expenses. The operating budget identifies the funding sources to pay for the expenditures, including proposed membership dues and other sources such as grants and investment earnings. The budget also estimates available cash designations/reserves used or contributed to and the estimated remaining balances for the end of the fiscal year.

Budget Approval

Each fiscal year, the Board will authorize a budget for the ensuing fiscal year. Adoption of the annual budget typically occurs in the April or June Board meeting, and must be approved prior to the beginning of the next fiscal year on July 1. The Board adopts the annual overall budget which summarizes the objectives and the related expenses.

^a SGA is managed under an Administrative and Management Services Agreement by RWA. Under this agreement, SGA is managed by the RWA and utilizes RWA employees, including the RWA executive director to execute SGA’s operational objectives.

^b Examples of these costs include office or field equipment purchases.

Under the Administrative and Management Services Agreement, the Executive Director is responsible for the execution of the budget, including contracting with vendors and operating within the SGA guidelines Policy Number 300.1, Architectural and Engineering Services Selection Policy.

The annual budget also may project up to four future years of expenditures and revenues. This information allows the Board and members to understand the impact of the current year's decisions on future costs and programs. It also allows members to plan for membership expenses in the future. However, approving the annual budget does not approve the projected budget for future years.

Members and Contracting Entities (consistent with the terms of the SGA JPA) will share in the general operating and administrative cost of operating the SGA, as outlined in the annual budget documents.

The Board of Directors may approve, from time to time, an advance or contribution to proposed projects or program specific activities. The reimbursement of these start-up costs or contributions from subscribing Members and/or Contracting Entities will be required once the contemplated project or program is implemented as contained in the Project or Program Agreement. Sometimes the payment of these proposed projects or program specific activities may have some other sources, such as local, state and federal grants.

Overall Operating Principles

The overall operating principles that must be followed by the Executive Director in executing the approved budget are as follows:

- 1) Overall annual expenditures and expenses should be at or below budget, unless previously approved by the Board of Directors;
- 2) The Executive Director must follow Policy Number 300.1, Architectural and Engineering Services Selection Policy; and
- 3) Annual expenditures and expenses must meet the organizational objectives and goals outlined for the fiscal year.

In executing the Authority's objectives and goals, the Executive Director may re-allocate budget resources from one major category to another in order to achieve those objectives. For example, in executing necessary staffing to achieve workload, it may be necessary to hire consulting services if an employee is unavailable to execute their duties. Any reallocation of budget resources shall follow the operating principles above, and must not increase any major category type by greater than 25% or \$50,000.

The major category budget line re-allocation authority excludes re-allocation to or from administrative staffing costs. Any changes exceeding this major budget category must be explicitly approved by the RWA Executive Committee and be communicated to the SGA Board of Directors.

Quarterly Reporting

The Executive Director will provide a quarterly report of budget versus actual results for the current fiscal year. Additionally, the Executive Director will provide the information related to re-allocation of major category budget resources that became necessary to achieve the Authority's objectives.